

**California Performance Review
University of California Riverside
August 13, 2004
12:30 – 1:05 pm**

HOSPITAL, HOUSING & SCHOOL CONSTRUCTION

Good afternoon, I'm Jim Previti and I am here today representing California home builders.

I am the Chairman & Chief Executive Officer of Empire Companies and have been in the business of land acquisition, home building and commercial development since 1971.

Today I will focus my comments primarily on that part of the report that concerns the financing, approval and delivery of school facilities.

Financing

The Report recommends eliminating the existing system of financing school facilities. I'm surprised at this because in my experience the existing system is working well.

Since 1998, with the passage of Senate Bill 50 – which I'm proud to say the homebuilding industry was a key participant – more new classrooms have been built, more existing facilities have been modernized, and more California students have been “housed” than in any comparable period.

It is my experience that the program for financing the construction of new school facilities is considered a model for how a leading-edge state / local infrastructure financing partnership should look.

For most new school facilities, costs are balanced between the State and the builder on a 50-50 basis. The way it works is the state picks up half the cost of purchasing the land, developing the site and constructing the buildings and school districts -- back-stopped by builder contributions -- pick up the other half of the costs.

Moving away from funding real live projects to a per-pupil “entitlement” approach could very well jeopardize what I believe California voters see as a successful and accountable program.

Since 1998, when the new funding program was put in place, the public has approved nearly \$35 billion in state school bonds, the most recent being in March of this year. Granted, asking voters to approve bonds has its risks, but the bond campaigns have been successful because they identify actual facilities in local neighborhoods and communities that will be constructed or modernized as a result. Voters want to know they are getting something tangible. The school facility program has a track record of delivering.

Two years ago, voters affirmed their willingness to go even further and provide the resources for our state-local partnership by approving Proposition 39 which lowered the vote threshold for local school bonds to 55%. Millions of local dollars have been approved since then.

The point I’m making here is that in my experience the existing funding program is working well, has public confidence, delivers product, and is not in need of a dramatic overhaul.

Agency Consolidation

The Report recommends that the state approval process be streamlined and consolidated.

I am generally supportive, and the industry is supportive, of the idea of one-stop-shopping for school facility approval. The only caveat I would offer is that we would want to make sure that the streamlining does not impair the operations of an already effective infrastructure program.

From 1999 through the middle of this year the State has processed, approved and funded over *\$17 billion* in facility needs. By any standard, that is an impressive record. Somebody must be doing something right.

We just need to make sure that the duties and program responsibilities currently carried out are not lost and that in the name of consolidation more work is demanded of too few people.

We need to ensure that one-stop-shopping doesn't become one-shop-STOPPING.

New Ways of Delivering School Facilities

One of the beauties of SB 50 is that it opened up opportunities for creative public / private partnerships for the construction and delivery of new school facilities.

Four years ago, I delivered one of the first “developer built schools” built under the new state program ... Woodrow Wilson Elementary in the city of Corona. The school serves grades kindergarten thru sixth and provides a quality learning environment for 940 students.

A few years later, I built another school in the city of Fontana ... Sycamore Hills Elementary School. That school opened in 2002, serves grades k-6, and is home to nearly 600 students.

I am proud to say that both schools offer a quality learning environment, were built at no cost to the school district, and went online at the same time that the first residents were moving into the new communities.

The beauty of the developer built school is that it is a “team approach” between the developer and the school district. The district brings to the table its professional knowledge of education needs and specifications and the private sector brings to the table its professional knowledge of how to build a quality product and manage the construction process.

Working together in this public / private partnership schools sites can be mutually selected by the district and the developer and integrated as part of an overall community master plan.

The timing of construction can be directly linked to actual students coming from the surrounding housing.

The developer is responsible for ensuring that all the environmental and state agency site approvals are secured. Prevailing wage and labor compliance requirements are complied with and the process mirrors the same process that would occur if the district built the school.

Before the school is finally “turn-keyed” to the district, the district must approve and certify the construction of the school; ensure clean title; and ensure the developer’s compliance with all terms and conditions of construction.

Joint Use Opportunities

Another great benefit and efficiency of a developer built school is that significant “joint use” opportunities are available.

As schools sites are identified they can be linked to such things as community parks, libraries, football fields and gyms to ensure that schools become an integral part of the overall community design and fabric.

In my experience, average cost savings can run 20-25% with a developer built school as compared to a district built school.

Some areas where cost-savings can occur include:

- ✚ reducing construction costs by eliminating significant change orders;
- ✚ integrating both on-site and off-site development activities; and
- ✚ blending hardscape and landscape with the surrounding are areas

This is the end of my prepared testimony.

I want to that the Governor and the Commission for allowing me to participate in today’s hearing.